

FINANCE COMMITTEE REPORT

September 03, 2015

A Finance Committee meeting was held Thursday, September 03, 2015, at 6:00 p.m. in the County Administration Building, Quorum Court Meeting Room, 215 East Central, Bentonville, Arkansas.

Committee Members Present: Allen, Moore, Jones, Chiocco, Moehring, Slinkard

Absent: Easley

Others Present: JPs Sandlin, Anglin, Leadabrand, Meyers, J. Harrison, Adams, Comptroller Brenda Guenther, Administrator of General Services John Sudduth, Administrator of Public Safety Marshal Watson, Human Resources Manager Barbara Ludwig, Deputy Coroner Tina Ward, Collector Financial Administrator Melsine Carter, Collector Administrative Assistant Tommi Hardrick, Assessor Linda Hambrick, Circuit Clerk Brenda DeShields, County Clerk Tena O'Brien

Media: Tom Sissom

Public Comments

None

Discussion

Personnel Report

Human Resources Director Barbara Ludwig presented the Turnover/Length of Service information that she was asked to bring at the last meeting. She found that the level of turnover for the first two years is significant across the board. The recession in 2010 and election in 2012 accounted for higher percentages of turnover than the previous years. She stated that these types of things impact the data and the statistics become more important at the department level. This data was discussed.

JP J. Harrison asked if this information takes retirements into account.

Barbara Ludwig stated that she took retirements and terminations out so this report only includes those people who left their jobs voluntarily; however, she is planning to do another report that includes terminations.

JP Moehring noted that a substantial number of people leave in the first year and he asked what they might do in order to retain these employees.

Barbara Ludwig stated that she would like to design some new behavioral interview questions based on some competencies to find out which potential new hires possess desired behavioral traits. This would be especially important for those potential employees being hired for a 24/7

job as these employees are often started out on the late shift, and this likely contributes to an early resignation.

JP Anglin asked if there is turnover rate data for any other counties that Benton County could be compared to.

Barbara Ludwig stated that this data is not published but she can ask Washington County if they have done it. She said that 12% is typically considered acceptable turnover, although this does vary by industry. She informed the committee that some turnover is considered healthy.

JP Allen asked if there are exit interviews to explain why people leave after only one or two years.

Barbara Ludwig said that exit interviews have been voluntary in the past. She can't say for sure why turnover is so high but she said it is highest in the 24/7 positions and especially in the jail as the new employees may not be completely prepared for that environment and what is required.

JP Moehring asked how often, when a person is being hired into the jail in one of these shifts for an entry level position, the person is very young, inexperienced and this is their first career job.

Barbara Ludwig said that she cannot answer that specifically because, in some of the demographics, it depends on the job market. The jail is the first place career law enforcement and criminal justice go if they want to go into the field and these are not reflected in the numbers because they are considered transfers, but there are also those people that are very young and on their first job.

JP Sandlin asked if, when the employees enter into employment at the jail, they anticipate that they will be able to go into school to get additional training and then be promoted into field positions at a faster rate.

Barbara Ludwig said that she does not know. She thinks that, if her department does move into the direction of asking questions and identifying the success factors, they may be able to identify that.

JP Allen inquired about the turnover percentages for the Juvenile Detention Center and the Planning Department.

Barbara Ludwig stated that the Planning Department numbers are just because it is a smaller department. She said that the Juvenile Detention Center does have high turnover but it is not particularly high for a 24/7 department.

Barbara Ludwig presented the Step/Grade system which JP Moore had requested. She took the ranges and divided it by 14 so that, at the beginning of the 15th year, an employee would cap out. This could be spread out over twenty years but the amounts would be less. The employees come into this at wherever step their salary puts them into. She met with the elected officials yesterday specifically about this issue and they voted unanimously to keep the merit system. In order to implement a Step/Grade system like this, it would be approximately \$860,656 a year to have a 15-year step system. She tried looking at a hybrid system with merit but it does not fit because the county has too many diverse job positions for it to work.

JP Moore is concerned about how long, if ever, it takes an employee to reach mid-point, much less to tap out.

Barbara Ludwig stated she read a research article that said that any compensation without a commitment and the financial ability to support it will fail and she believes this to be true. Employees don't move because the county does not have regular merit and because the county has COLA without merit. She believes the county needs to commit to a system and follow it. She stated that longevity is about \$65,000 per year to maintain; this helps when they cannot do much with merit.

JP Slinkard asked if there is any way to squeeze Grades 1-24 down into fewer grades.

Barbara Ludwig stated that, if they remove the lower grades, it will potentially have negative psychological consequences. It is possible to broad band them but the problem with that is that there is a tendency to have multiple skill sets in the same grade.

JP Allen questioned if there is too much focus on where they are within the range as opposed to where a person is as an individual earning their marketability in the marketplace.

Barbara Ludwig stated that the county does not spend much money on training so skill sets and marketability isn't one of the major strengths. She stated that the mid-point is market. This was discussed. The average salary is \$37,000-\$38,000 with many employees making less than that and so the incentive is important.

JP Moore questioned if COLA should be done away with all together and this was discussed.

JP Leadabrand asked for clarification on the steps for the hiring range.

Barbara Ludwig explained that the elected officials decide what step a new employee is hired into and this was briefly discussed.

JP Meyers asked at what grade overtime is exempt.

Barbara Ludwig explained that there can be an exemption from anywhere from a Grade 11 all the way up. She said that this is not based on grade necessarily; it is based on job function.

Barbara Ludwig stated that JP Slinkard had asked for length of service by salary range data and she presented this information. She stated that the ranges naturally fall into four quarters. The data shows that most employees are stuck in the lower half the salary ranges and that as a court, and as a county, they need to find some mechanism to assist them in moving up the ranges a bit better. The salary ranges and quartiles were discussed.

JP Allen inquired as to the percentage of the budget spent on salaries.

Comptroller Brenda Guenther stated that it was around 70%.

JP Allen said that, since he's been on the court, it has bothered him that they talk about having employees at certain points in the range, yet every time they get a COLA raise, the range is moved. The reason the employees don't move up in range is because the range moves with them. He feels that this shouldn't even be discussed until a consistent merit range based system can be adopted. He went on to state that the COLA is supposed to be the cost of living but sometimes it's not. This is not consistent across the board, because someone might get a 1%

COLA raise and someone else might get COLA and a merit raise. Further complicating the issue is the fact that every elected official does it differently.

Barbara Ludwig stated that they have base-line measurements now so that they can visually see if they follow a strategy, how those people spread out in the ranges. It will probably take 2-4 years to start seeing that.

EMS – Ambulance Service

Administrator of Public Safety Marshal Watson stated that there is no new information to report. He reminded the committee that the revised number from Mercy is \$466,028 and that Mercy will provide a back-up ambulance and equipment should there be any kind of failure or accident while the contract is maintained.

JP Moore asked if there will be mutual aid agreements with the surrounding ambulance providers.

Marshal Watson stated that this is correct; there will be mutual aid agreements with all the providers in Benton County.

JP Moehring asked if there is any additional detail on the cost quote from Mercy and if it has been updated at all.

Marshal Watson said he did not bring that information with him tonight but the last numbers presented to the committee have that information.

JP Moehring asked if they have received a break-out from Mercy, in terms of personnel and benefits.

Marshal Watson stated that they have not. He stated that it is \$466,028 and that is turn-key operational EMS minus the capital and the station for 2016 only.

JP Allen reminded the committee that the Quorum Court appropriated the money to pay for the ambulance and the upgrade of the facility, and they are talking about the potential contract with Mercy.

JP Leadabrand asked if there is anything else they should be doing right now on this issue.

JP Allen directed the committee to the Mercy spreadsheet on the dashboard in regard to the resolution on the agenda.

Marshal Watson reminded the committee that they are looking at the original number that Mercy came to them with on the dashboard; it is now the \$466,028 number and, as far as those projections for years 2-5, they are somewhat erroneous. Mercy wants to adjust the numbers on a year-by-year basis.

JP Anglin asked if the insurance was discussed or if this number is strictly for what Mercy deems is their cost.

Marshal Watson stated that Mercy will be paying what they perceive to be the cost of their service and they will retain all Medicare, Medicaid and insurance payments.

JP Leadabrand asked for clarification on the old numbers vs. the new numbers.

Marshal Watson reminded the committee that this is will eliminate the need to purchase an additional ambulance and purchase an additional monitor.

JP Allen added that the county will also own the equipment, so they will have the flexibility to have a county service at a later time if they so choose.

JP Adams asked about the back-up items Mercy is providing and if this is for fiscal year 2016.

Marshal Watson stated that this for a back-up ambulance, a \$40,000 cardiac monitor and confirmed that this is for the year 2016. It could change for 2017, depending on the court's direction.

JP Meyers asked what happens if the back-up ambulance is in Missouri and the county's ambulance breaks down in route.

Marshal Watson stated that they might have mutual aid or Mercy may have potential transfer opportunities and they may see more Mercy resources in the county in 2016. This plays into their favor.

The committee quickly decided that the process for the proposed EMS resolution should be to move onto the Committee of the Whole and then on to the Quorum Court so that the Judge can go ahead and finalize the contract.

JP Moore made a motion to insert the number from the Mercy proposal into the proposed resolution and send it to the Committee of the Whole, seconded by JP Slinkard.

JP Adams suggested that the word "approximate" be changed in Article 1 since the \$466,028 is a firm number.

JP Leadabrand asked for clarification of the coverage area for Springdale.

JP Jones stated that the City of Bentonville is now covering part of Cave Springs. He reminded the committee that all this resolution does is to allow the County Judge to enter into a contract with Mercy. He stressed that they want to get this to the Quorum Court so the Judge can make that decision.

JP Meyers asked about the portion of Springdale that is in Benton County and if that will be covered by the City of Springdale.

JP Allen stated that the Judge has the authority to make the decision with the contract and he will present the contract to the court so the Finance Committee does not need to get into all the minor details over the coverage areas.

JP Slinkard asked if there is an ambulance district that is main-numbered for that part of the county.

JP Allen said there is a map that shows the area referred to as the Springdale Service Area but that will be modified. This is part of what the Judge and Marshal will look at. They will see what area Lowell will be serving.

JP Slinkard asked who is covering Bethel Heights.

JP Allen said it is Springdale right now.

Marshal Watson said that the city of Bethel Heights will take care of themselves and they are currently engaged in negotiations with the city of Lowell.

JP Allen reminded the committee that this really only affects the unincorporated areas of the county, as the cities should already be covered.

Marshal Watson said there are a handful of homes that are logistically better to be covered by Bentonville and they have agreed to cover them. When January 1st rolls around, the changes to the maps will be made to reflect the new providers and there should not be any degradation of service.

JP Moore asked if Lowell is planning on doing any unincorporated areas.

Marshal Watson stated that Benton County is going to take that. He said that Lowell will only maintain their city limits for EMS.

JP Chiocco made a motion to amend the proposed resolution by striking the word 'approximate' from Article 1, seconded by JP Jones.

It was then clarified that JP Slinkard will be the sponsor of this resolution for the Committee of the Whole.

The amendment passed by unanimous show of hands vote.

JP Moore reminded the committee that this is only a statement of intent; it is not legally binding.

JP Allen asked when the decision was made for Bentonville to take a section of Cave Springs from Springdale, if this revised number of \$466,028 is with this change in service in mind, and if this was part of the reason the original number was dropped to the lower amount.

Marshal Watson stated that it was discussed several weeks ago and this number is with this change included. He said that the big reason for dropping the number, according to Mercy, is that, based on the feedback they received, they are going to eliminate some of the management that they had intended to bring in. This is really the one-year base number and, should there be a different directive from the court, this could potentially change in 2017.

Motion passed by unanimous show of hands vote.

Courthouse Facilities (Scheduling Special Meeting)

JP Allen led the committee in a short discussion regarding the date of the Special Finance Committee Meeting to discuss the courthouse facilities. This special meeting was scheduled for September 17th at 6:00 pm.

JP Moehring asked what outcome JP Allen is hoping for from this meeting.

JP Allen stated that he wants a more detailed review on the two courthouse options, the Judge can field questions on those plans, then the Finance Committee can make a decision whether or not to finance it, and, if time permits, financing options can be discussed.

JP Leadabrand said he would like to have a five-minute explanation at the meeting about how bad off they are on their claims and if there will be enough money to finance everything.

JP Allen answered that, after tonight's meeting, he will have a better idea of how the county is standing financially. He would like to have a discussion about how much to use from the reserves to finance this project, considering other critical needs.

Comptroller Report

Legislative Audit Report – FY 2013

Comptroller Brenda Guenther presented the FY 2013 Legislative Audit. In general, she believes this was a reasonably good audit. As far as the internal control compliance is concerned, they are trying to eliminate this as much as possible but they do have satellite offices that will only have one or two people in the office, so there may be an internal control issue there. Audit procedures indicated that the offices of the Treasurer, Tax Collector, County Clerk, Circuit Clerk and Assessor were in substantial compliance with Arkansas Fiscal and Financial Laws. Non-compliance with state law was noted in the offices of the County Judge and Sheriff. In regard to the County Judge, the County Comptroller's reconciliations of fund activity to the Treasurer activity were not prepared cyclically or timely. The Comptroller intends to implement a cyclical and timely process for the fund reconciliation. The 2013 reconciliation process was affected by turnover in the Comptroller position. As far as the Sheriff's Office goes, the report is simply referring to the Communications Fund. It indicates that some of the fund was used in ways not mentioned or allowed. The response back was that, effective FY 2014, revenues are no longer being commingled and expenditures are in compliance with the restricted revenue source requirements of the Arkansas code. The county was not allowed to spend salary money out of the Communications Fund. They fixed it immediately and it is no longer being done. There were other small findings, they were not material in nature, but they wanted to make sure they were addressed.

JP Slinkard asked if the Sheriff responded.

Brenda Guenther said that each office does their own response back and it was all taken care of.

JP Slinkard asked if a resolution to accept this audit report is needed.

Brenda Guenther stated that she has one but County Attorney George Spence said it is not really necessary. The Arkansas statute does mention that 'in the future, the minutes will document the review of the findings and recommendation, and the action taken by the governing board.'

JP Allen said they should do what the statute states.

Brenda Guenther stated that they will make sure this is carried out.

JP Leadabrand read the audit findings for the Sheriff's Department which stated 'the Sheriff's Communication Facility and Equipment Fund included disbursements that were not for purposes

allowed by law. By improperly using the Sheriff's Communication Facility and Equipment Fund, the Sheriff circumvented laws that require expenditures to be appropriated and paid from the County Treasurer based on an approved claim that is required by the Arkansas Code.' He stated that this sounds troublesome.

Brenda Guenther said that it is not as bad as it sounds. She explained that the Arkansas Code says what the Communication Fund can be used for. It ended up being used in the budget process for salaries and she believes that whoever used it wasn't fully aware of what those dollars could be used for.

JP Allen concurred that it was a technicality. They used it to pay for salaries because they thought that was allowable. They found out it wasn't so they corrected it.

JP Leadabrand noted that they went through so many approvals and appropriations and he doesn't understand how this was missed because he thought they were very judicious in the process.

Brenda Guenther said that it is very confusing to read through all of these acts and there are many different rules. There are a lot of funds documented on different Arkansas Codes and they are doing their best to make sure they are being followed correctly.

JP Meyers stated that the second part of Article 1 in the resolution which states: 'It is noted that the Offices of Treasurer, Tax Collector, County Clerk, Circuit Clerk, and Assessor were in substantial compliance with Arkansas fiscal and financial laws. Noncompliance with state law and accepted accounting practices were noted in the offices of County Judge and Sheriff' is unnecessary and he thinks that section should be removed.

JP Allen stated that they can do that when a motion is made.

JP Moore said that, compared to some audits they have had in the past, this one was pretty good.

JP Slinkard made a motion to forward this resolution, just as it is written, to the Committee of the Whole, seconded by JP Chiocco.

JP Allen stated that he agrees with JP Meyers that the second part of the resolution is not really necessary, but he doesn't feel that it hurts anything to leave it in.

Motion passed by unanimous show of hands vote.

County Tax Levy Data – 2015

Comptroller Brenda Guenther presented the Benton County Property Tax Levy information. This report was received from the Northwest Arkansas Regional Planning Commission. It shows the Class 6 and Class 7 counties' populations from smallest to largest, the general property tax levy, the road levy, the library levy (if applicable) and the sales tax rate in the different counties. The report also states that "all seventy-five counties in Arkansas are classified 1-7 with Class determining the number of JPs in each county. Thirty-eight counties, including Benton County, levy the maximum five mills for their general fund, fifty-two counties levy a road fund millage rate higher than Benton County's levy with three levying the same and eighteen lower, seventy-

two counties have a library millage – Benton County is one of three that does not have a library millage, fifty counties have a higher total property tax millage than Benton County with twenty-four having a lower total millage and seventy-three counties have sales/use taxes, with fifty-three having sales/use tax rates higher than Benton County, sixteen the same and three lower.”

JP Allen stated that this is good information that will likely be discussed at the special courthouse finance meeting.

Brenda Guenther then presented the sales tax information by city in Benton County from the dashboard.

JP Moehring asked if these figures take into account the city’s special bond elections and when those are set to expire.

Brenda Guenther stated that they do and that she could have this information at the next meeting.

JP Moore stated that, according to this report, if a city does not want to surpass the 10% barrier, they are looking at no more than a 0.5% temporary sales tax.

JP Allen stated that they will have the sales tax increase, as far as what can be raised without having to go to a bond, based on the numbers the Judge is presenting as far as project cost and whatever the county can afford to chip in on equity. He feels it is important to know what the rates are for the cities since most of the shopping is done in the city.

Fund Summary

2015 Budget Recapitulation

Brenda Guenther presented the cash balances on the Comptroller Report. She stated that there will be more money in October and November, when the collector comes in with the rest of the property taxes for the year. The overall cash balances are down \$723,899 from a year ago and are down \$1,667,385 from last month’s values. She then presented the statutory vs. remaining cash balances portion of the report. She noted that, for August, Veterans had \$588,210 in decisions on claims, 235 office consultations, 66 claims files and 6 outreach events. She also stated that, yesterday, the maintenance truck was rear-ended in an accident and the repair cost is estimated at \$22,000 (the truck was purchased in 2009 for \$23,000 so it is likely going to be totaled). A local dealer has a government truck available for \$23,474 which may be an appropriation to be considered the future. Although the county was not at fault for the accident, insurance is still being sorted out so it is unknown what the financial impact of this accident will be at this time.

JP Allen inquired as to where the county stands on the County Health Fund.

Brenda Guenther replied that this cash is running very low. The year started with \$294,000 on the cash side. It is now down to \$35,000 but there is still \$500,000 in the investment account. Last year, it was negative in June, July and August and positive in September. It is too soon to tell how it will be this year but she will do more analysis on it and bring it to the next meeting.

2015 through 8/31/15

Brenda Guenther presented the monthly fund summary from the dashboard and this information was briefly discussed. Overall she feels that the county is doing ok for this time of year.

2015 vs. 2014 Comparison through 8/31/15

Brenda Guenther stated that they have spent \$4.4 million on General and Road versus a year ago but most of that is because they have spent over \$1.9 million in capital outlay and \$1.6 million in other services versus a year ago. She is pleased that Personnel was budgeted for a 3% increase but it has only been a 0.96% increase.

Monthly Reports

Overtime & Premium Pay Analysis

Brenda Guenther presented the Overtime & Premium Pay Analysis through August 31, 2015 on the dashboard. She stated that reimbursements of salary came out to be \$92,555.70 when adding STEP, DEA, HIDTA and Corp. of Eng/Park Patrol. August had the lowest amount of overtime and premium pay of all the months so far this year.

Grants Administrator Report

Brenda Guenther stated they are working with Judge Scott on a grant to implement an Alternative Dispute Resolution program for Domestic Relations & Probate Court. They have also been awarded a grant for the 2016 Highway Safety Funding for Selective Traffic Enforcement Program (STEP). Otherwise nothing else has changed from last month. She stated that she did have a group come in to show her some software for grants and she will discuss this more during the budget process.

Fuel Analysis

Brenda Guenther stated that they are doing very well on fuel and that is due to the current lower cost of fuel compared to this time last year. This year the average per month for the Sheriff/Jail is \$25,632 versus \$41,417 last year. For the Road it is \$57,633 this year versus \$85,092 last year. She noted that the amount of gallons purchased is not necessarily the amount actually used.

Sales Tax Revenue

Brenda Guenther said that sales tax revenue is at 13.60% this last month versus a year ago. Overall, for the year, they are up 8.18%. If it keeps up this pace, based on the average for the last eight months, they should be over \$8 million versus the \$7.3 million that was budgeted.

Jail Collections

Brenda Guenther presented the jail collections through the month of August. She stated that, so far, they have collected \$1.9 million in jail fees versus the \$1.5 million that was budgeted. Overall, they are over \$430,000 better than budget and \$665,000 better than a year ago.

JP Moore stated that he is distressed by these high numbers because the amount that is reimbursed doesn't even come close to the amount spent.

JP Allen stated that he has heard they may be revamping the system and making the sentences not as harsh and he is concerned about the timing of the proposed jail expansion.

JP Moehring said that this is a really good point; there is a lot of discussion around the county about revamping sentencing and parole guidelines and it is prudent to be cautious.

Brenda Guenther stated that Kim Motherwell will be auditing the jail inmate cost. She will be looking at how quickly the money is coming in and verifying that the numbers are accurate. They have not yet started the 2014 audit but she hopes that will begin at the end of the month.

JP Slinkard asked if someone requested a special audit for the prison cost.

Brenda Guenther guessed that the ARC or the state must have requested it.

Other Business

JP Meyers stated that the Sheriff is in ICU due to seizures.

JP Sandlin said that Gloria Peterson's son has passed away.

JP Allen asked that everyone lift up Sherriff Cradduck and his family, Gloria Peterson's family and her son's family in their prayers.

JP Allen said that the Cooperative Extension Office will be coming before them at the budget committee. Their overall budget is small but they are asking for a large percentage increase.

JP Anglin stated that, with the growth of the county, the Cooperative Extension Office has a lot of programs that the urban side of the county is utilizing; their needs are for both the urban and the agricultural sides. The state has not been able to fund the Extension program adequately. They are under great pressure for more funding and they may have to consider cutting people and programs if they do not get more funding. Currently they have two 4-H agents, one family consumer science person, and one agronomy/beef cattle/dairy/poultry person. She fears that, if they don't do something to add to the funding, they will have to cut programs. Benton County has the number one Youth development/4-H program. On the agricultural side, there are lots of different services as far as information on crops and animals that come through the Extension and programs that she would hate to lose.

JP Allen said that the Cooperative Extension Office has had to dip into their reserves for the last three years. They got some assistance last year from the state but it was a one-time deal. Their budget is \$128,000 a year and, at two years, they want to be at \$180,000. He stated that they are asking for a big percentage increase, but he will support giving them what they need.

JP Moore stated that they need to come and do a presentation at the Committee of the Whole to educate the committee members about this issue.

JP Anglin said they also have programs on water quality that are both urban and rural, and the Master Gardener Program. All of these programs touch every segment of Benton County's population.

JP Allen stated that he would like to get this set up for the October Committee of the Whole meeting.

Brenda Guenther said that budgets are due in by the 11th of September. Starting the 14th-30th, she will be meeting with the department heads on an ongoing basis. They can then start the meetings immediately. She stated that Barbara Ludwig is trying to schedule a personnel committee meeting by the end of September.

JP Sandlin said they are going to try to do a JESAP meeting this next week and they are trying to get the personnel committee together on the 23rd.

JP Jones asked when the first budget meeting might be in October.

Brenda Guenther said it will probably be late in October.

JP Allen stated that the next Finance Committee Meeting will be October 1st and, after a brief discussion, the committee decided to have the next meeting after that on November 2nd.

Meeting adjourned at 8:07 pm.